

# Economic Development Fund

## MISSION STATEMENT

The mission of the Economic Development Fund is to assist private employers who are located, or plan to locate, or substantially expand operations in the County. The Fund is administered by the Department of Finance, and programs utilizing the Fund are administered by the respective departments as noted below.

## BUDGET OVERVIEW

The total recommended FY06 Operating Budget for the Economic Development Fund is \$840,990, an increase of \$274,410 or 48.4 percent from the FY05 Approved Budget of \$566,580. Personnel Costs comprise 11.1 percent of the budget for one workyear for a position in the Department of Economic Development. Operating Expenses account for the remaining 88.9 percent of the FY06 budget.

The Debt Service for the Economic Development Fund is appropriated in the Debt Service Fund and is, therefore, not displayed in this section. To pay for the Debt Service, a transfer of funds from the Economic Development Fund to the Debt Service Fund of \$110,360 is required.

## HIGHLIGHTS

- ❖ *Increase small business opportunities in the County by expanding the County's Small Business Revolving Loan Program and seeking matching state assistance.*
- ❖ *Maintain business recruitment and retention efforts by continued funding for the Economic Development Fund's Grant and Loan Program.*

## PROGRAM CONTACTS

Contact Peter Bang of the Economic Development Fund at 240.777.2008 or Mary Cichello Beck of the Office of Management and Budget at 240.777.2753 for more information regarding this department's operating budget.

## PROGRAM DESCRIPTIONS

### Demolition Loan Program

The Demolition Loan Program was established in FY99. The program assists owners of obsolete, underutilized commercial buildings to demolish buildings and clear the land. This program is administered by the Department of Housing and Community Affairs.

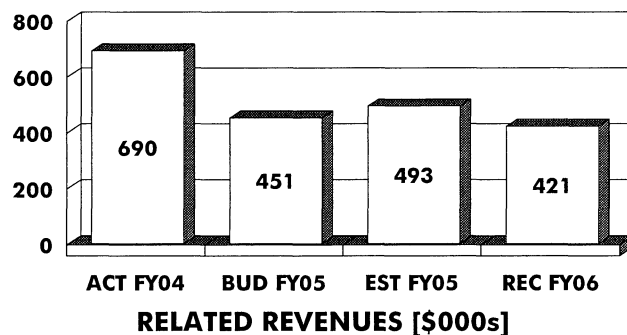
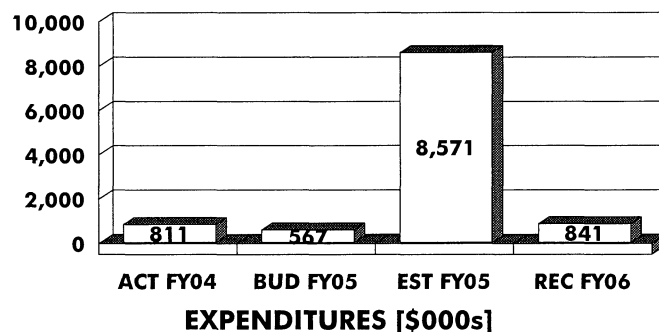
### FY06 Recommended Changes

	Expenditures	WYs
FY05 Approved	0	0.0
FY06 CE Recommended	0	0.0

## Program Summary

	Expenditures	WYs
Demolition Loan Program	0	0.0
Economic Development Grant and Loan Program	452,080	1.0
Technology Growth Program	0	0.0
Small Business Revolving Loan Program	388,910	0.0
<b>Totals</b>	<b>840,990</b>	<b>1.0</b>

## Trends



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## **Economic Development Grant and Loan Program**

The Economic Development Grant and Loan Program was established in FY96 to provide assistance to private employers who will retain jobs already in the County or create jobs in the County through the expansion of current businesses or location of new businesses in the County. As part of its Marketing and Business Development Program, the Department of Economic Development (DED) identifies and develops prospects which meet the criteria for grants or loans from the Economic Development Fund. DED works to develop offers of assistance, frequently in close cooperation and coordination with the State of Maryland. By March 15, the County Executive submits an annual report on the status and use of the Fund, as required by Chapter 20-76 (b) of the Montgomery County Code. This program is administered by the Department of Economic Development.

### **FY06 Recommended Changes**

	<b>Expenditures</b>	<b>WYs</b>
<b>FY05 Approved</b>	<b>452,010</b>	<b>1.0</b>
<b>FY06 CE Recommended</b>	<b>452,080</b>	<b>1.0</b>

## **Technology Growth Program**

The Technology Growth Program was created in FY99 as a program within the Economic Development Fund to facilitate the growth of technology-based companies located or desiring to locate in the County. Financial assistance under the program is based on the evaluation of the technology and the innovation proposed, along with potential impact for the County. The program is aimed at leveraging private-sector financing and State Challenge and Equity Investment funds and is administered by the Department of Economic Development.

### **FY06 Recommended Changes**

	<b>Expenditures</b>	<b>WYs</b>
<b>FY05 Approved</b>	<b>0</b>	<b>0.0</b>
<b>FY06 CE Recommended</b>	<b>0</b>	<b>0.0</b>

## **Small Business Revolving Loan Program**

The Small Business Revolving Loan Program was established in FY00. The program augments a grant from the Maryland Economic Development Assistance Authority and Fund (MEDAAF) Act under Senate Bill 446 to finance economic development projects that do not receive priority consideration from traditional private and public sources due to non-priority industry sectors and/or transaction site. The program offers secured loans typically in the range of \$25,000 to \$100,000 and is administered by the Department of Economic Development.

### **FY06 Recommended Changes**

- ☐ *Increase small business opportunities in the County by expanding the County's Small Business Revolving Loan Program and seeking matching state assistance.*

	<b>Expenditures</b>	<b>WYs</b>
<b>FY05 Approved</b>	<b>114,570</b>	<b>0.0</b>
<b>FY06 CE Recommended</b>	<b>388,910</b>	<b>0.0</b>

## BUDGET SUMMARY

	Actual FY04	Budget FY05	Estimated FY05	Recommended FY06	% Chg Bud/Rec
<b>ECONOMIC DEVELOPMENT FUND</b>					
<b>EXPENDITURES</b>					
Salaries and Wages	65,656	69,770	66,200	74,460	6.7%
Employee Benefits	16,427	18,490	22,060	19,240	4.1%
<b>Economic Development Fund Personnel Costs</b>	<b>82,083</b>	<b>88,260</b>	<b>88,260</b>	<b>93,700</b>	<b>6.2%</b>
Operating Expenses	728,947	478,320	8,482,470	747,290	56.2%
Capital Outlay	0	0	0	0	—
<b>Economic Development Fund Expenditures</b>	<b>811,030</b>	<b>566,580</b>	<b>8,570,730</b>	<b>840,990</b>	<b>48.4%</b>
<b>PERSONNEL</b>					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
Workyears	1.0	1.0	1.0	1.0	—
<b>REVENUES</b>					
Investment Income - Pooled	23,337	80,000	45,820	30,000	-62.5%
Loan Repayment Small Business Revolving Loan	83,453	114,570	132,760	188,910	64.9%
Loan Repayments Grant & Loan Program	472,681	146,290	202,500	91,400	-37.5%
MICRF Loan Repayments	110,360	110,360	110,360	110,360	—
Technology Growth Program Loan Repayments	540	0	1,280	0	—
<b>Economic Development Fund Revenues</b>	<b>690,371</b>	<b>451,220</b>	<b>492,720</b>	<b>420,670</b>	<b>-6.8%</b>

## FY06 RECOMMENDED CHANGES CROSSWALK

	Expenditures	WYs
<b>ECONOMIC DEVELOPMENT FUND</b>		
<b>FY05 ORIGINAL APPROPRIATION</b>	<b>566,580</b>	<b>1.0</b>
<b>Changes (with service impacts)</b>		
Enhance: the Small Business Revolving Loan Program by adding an additional \$200,000 to the fund [Small Business Revolving Loan Program]	200,000	0.0
Enhance: Funds for the Small Business Revolving Loan Program due to increased loan repayments. [Small Business Revolving Loan Program]	74,340	0.0
<b>Other Adjustments (with no service impacts)</b>		
Increase Cost: FY06 Retirement Rate Adjustments	70	0.0
<b>FY06 RECOMMENDATION:</b>	<b>840,990</b>	<b>1.0</b>

## FUTURE FISCAL IMPACTS

Title	CE REC. FY06	FY07	FY08	(S000's) FY09	FY10	FY11
This table is intended to present significant future fiscal impacts of the department's programs.						
<b>ECONOMIC DEVELOPMENT FUND</b>						
<b>Expenditures</b>						
<b>FY06 Recommended</b>	<b>841</b>	<b>841</b>	<b>841</b>	<b>841</b>	<b>841</b>	<b>841</b>
No inflation or compensation change is included in outyear projections.						
<b>Elimination of One-Time Items Recommended in FY06</b>	<b>0</b>	<b>-200</b>	<b>-200</b>	<b>-200</b>	<b>-200</b>	<b>-200</b>
Items recommended for one-time funding in FY06, including a one-time increase in the Small Business Revolving Loan Program funds, will be eliminated from the base in the outyears.						
<b>Grant to Mills Corporation to relocate headquarters to Montgomery County</b>	<b>0</b>	<b>470</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
A \$407,000 Grant and Loan Program payment to the Mills Corporation is expected in FY07.						
<b>Subtotal Expenditures</b>	<b>841</b>	<b>1,111</b>	<b>641</b>	<b>641</b>	<b>641</b>	<b>641</b>

# ECONOMIC DEVELOPMENT FUND

**PROGRAM:**

Economic Development Grant and Loan Program

**PROGRAM ELEMENT:**
**PROGRAM MISSION:**

To offer financial assistance to private employers who are located or who plan to locate or substantially expand operations in the County in order to increase job opportunities for County residents, enhance the County's competitiveness nationally, and increase its tax base

**COMMUNITY OUTCOMES SUPPORTED:**

- Increase employment opportunities and economic security for County residents
- Expand and enhance the value of the County's tax base
- Foster a positive business climate

**PROGRAM MEASURES<sup>a</sup>**

	FY02 ACTUAL	FY03 ACTUAL	FY04 ACTUAL	FY05 BUDGET	FY06 CE REC
<b>Outcomes/Results:<sup>b,c</sup></b>					
Number of businesses that expanded or located in the County	15	6	3	6	5
Number of jobs retained in the County or attracted from other jurisdictions	2,316	407	242	250	250
Number of new jobs projected to be created within 3 years of EDF assistance	1,989	233	260	400	250
Amount of new private capital invested or projected to be invested (\$000)	215,410	84,395	2,600	11,000	5,000
<b>Service Quality:</b>					
Average time from submission of the application to making the EDF offer (days) <sup>d</sup>	20	19	19	18	18
<b>Efficiency:</b>					
Amount of EDF assistance provided per job retained or created (\$)	474	1,005	339	2,308	1,682
Amount of private capital invested in projects per dollar of EDF assistance (\$)	105.59	131.25	15.29	1.47	5.95
<b>Workload/Outputs:</b>					
Number of EDF offers of assistance made to the applicant businesses	18	7	6	6	8
<b>Inputs:</b>					
Expenditures (disbursements from cumulative appropriations) (\$000)	2,040	643	170	<sup>e</sup> 7,500	841
Annual approved budget + supplemental appropriations (\$000)	2,221	480	<sup>e</sup> 7,216	566	566

**Notes:**

<sup>a</sup>Detailed information on EDF transactions is published in an annual report to the County Council on March 15 of each year. Due to the difference in the reporting year used for that report versus the fiscal year used here, the results reported here may differ from those in the annual report.

<sup>b</sup>Due to the very dynamic nature of business expansion/relocation projects, the information provided above must be constantly updated to remain accurate. The figures shown in this display are, therefore, subject to adjustments from year to year. For example, a business that relocated to the County from New Jersey in FY03 could, due to a subsequent merger, move out of the County in FY05, prompting an adjustment to the reported Outcomes/Results for FY03.

<sup>c</sup>There is a time lag between when a company accepts the EDF assistance and when the EDF disbursement to that company is made. To achieve consistency in reporting, Outcomes/Results are reported when a business receives EDF disbursement, not when it accepts the offer.

<sup>d</sup>Application processing time includes fiscal impact analysis, due diligence, and negotiations with the State of Maryland.

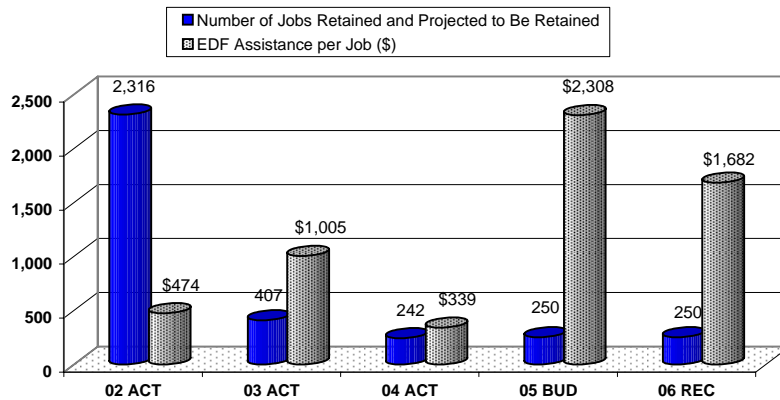
<sup>e</sup>In late FY04, \$6.75 million in supplemental appropriations were approved to close the deal for the Westfield's Parking Lot Project (\$6 million) to attract Macy's into the Wheaton Mall, and to close the deal for the Nederlander project (\$750,000). The actual disbursement on these two projects will occur in FY05, upon verification of project completion. The \$6 million for the Parking Lot Project is not included in the FY05 efficiency measure, "EDF assistance per job retained or created," because it is not tied to job creation.

**EXPLANATION:**

The Economic Development Fund (EDF) program consists of four sub-programs: the Economic Development Grant and Loan Program, the Technology Growth Program, the Small Business Revolving Loan Program, and the Demolition Loan Program. The first three sub-programs are administered by the Department of Economic Development, and the fourth by the Department of Housing and Community Affairs. The EDF itself is administered by the Department of Finance. This page only reports on the Economic Development Grant and Loan Program, which has the largest budget and broadest usage.

The EDF has consistently realized a greater leverage ratio of private sector capital to EDF dollars invested - and a much lower per-job cost than comparable economic financing programs (most of which expend over \$3,000 to retain/create a job).

**Total Jobs Retained/Projected to Be Created  
and Per Job EDF Costs**



**PROGRAM PARTNERS IN SUPPORT OF OUTCOMES:** Department of Finance, Office of the County Attorney, State of Maryland.

**MAJOR RELATED PLANS AND GUIDELINES:** County Code Chapter 20-73 to 20-76, Executive Regulation 47-95, Senate Bill 446, Executive Regulation 23-99AM, The Annotated Code of Maryland, Article 83, Section 5-1405.